

Obuv Rossii Group reports 1.4x increase in IFRS net profit in 1H2017

- The Group is now the second largest footwear retailer in Russia with 511 stores
- Russian shoe market demonstrates positive momentum

Novosibirsk, Russia. 6 September 2017. Obuv Rossii Group (further or “Obuv Rossii” or “the Group”), the second largest footwear retailer in Russia by number of stores and the leading shoe retailer in the mid-price segment¹, announces consolidated financial results for the first half of 2017 under International Financial Reporting Standards (IFRS).

Financial results for the first half of 2017

- Revenue reached RUB 4,141 mln, a 2% increase year-on-year
- EBITDA rose by 28.8% year-on-year and amounted to RUB 1,052 mln, thanks to a reduction in administrative expenses
- EBITDA margin was 25.4%, which amounts to a 5.4 p.p. increase year-on-year
- Net profit rose by 38.6% year-on-year to RUB 347.7 mln

Anton Titov, CEO of Obuv Rossii Group, commented:

“The results we achieved in the first half of the year confirm that our multi-format strategy for the mid-price segment of the footwear market is on the mark. Our improved financial performance also reflects the stabilisation of the footwear market; as the economy recovers, shoppers are returning to make shoe purchases they had previously deferred. As of the end of the first half of the year, our customer base amounted to over 2.5 million people.

“The seasonal shift and abnormally cold summer in many parts of Russia in the first half of 2017 meant that traditional summer open footwear was less in demand, but nonetheless we were able to increase the Group’s revenue through significant growth in our wholesale operations, including increased sales via our online platforms such as Wildberries and actively promoting our

S-step line, our main wholesale footwear brand which accounted for over 50% of wholesale sales in the first half of the year.

“In the first half of the year, we continued to expand our nationwide network across all of Russia. In May and June, we implemented a new franchising programme, opened over 50 stores, bringing our total number of stores at the end of the reporting period to 511, and making us the second largest footwear retailer in Russia by number of sales outlets. Our growth is a natural result of, even in a volatile market, investing in development, introducing new products and services and enhancing our operational efficiency. Our efforts are already producing results and, as the market recovers, this provides us with the confidence to look to the future and successfully develop our business.”

Growth factors in 1H2017

One of the key objectives of Obuv Rossii is to create a high-tech, modern retail business that combines both the format of a shoe store and a service centre, that can enhance the efficiency

¹ According to Discovery Research Group – a leading marketing research agency in Russia

and profitability of the Group's retail network. Obuv Rossii was able to achieve impressive results in the first half of the year thanks to developing and adapting its collections in line with changing consumer preferences (increased popularity of casual style), developing high-margin footwear related products (now over 4,500 SKUs²), rolling out new sales channels (including internet and mobile applications), as well as additional financial services, such as instalment plans, cash loans and accepting payments for such services at the register. Altogether, these initiatives enable the Group to generate additional customer flow, increase average ticket size, cross-sell and enhance customer loyalty.

Market commentary

In the first half of 2017, the Russian footwear market demonstrated positive momentum, with growth both in quantity of pairs sold and in financial terms. This positive development came as a result of the overall economic recovery, as well as due to a delayed demand effect, as customers who had spent less money on shoes over the last two years gradually resumed with their footwear purchases. At the same time, customers who during the crisis had shifted to buying low-price shoes are now returning to the mid-price segment as the economic situation improves. According to forecasts by Discovery Research Group, in the next five years the Russian footwear market will continue to grow on average 6-7% annually in volume terms and 9-11% annually in financial terms.

About Obuv Rossii Group

Obuv Rossii Group is a nationwide network of shoe stores ranked among the two top Russian footwear retailers and number one player in the mid-price segment of the shoe market both in terms of revenue and number of stores (including franchising) in the first half of 2017, according to data from Discovery Research Group. Founded in 2003, the Group has its main office in Novosibirsk. Its core business is the manufacture and sales of footwear and related accessories. Obuv Rossii operates five footwear retail networks: Westfalika (a flagship monobrand store), Rossita (a family store), Emilia Estra and Lisette (shoe boutiques), and Peshekhod (a multibrand shoe supermarket) as well as active lifestyle footwear and clothing brands S-tep, All.go and Snow Guard. Today, the footwear network of Obuv Rossii includes more than 500 shops in more than 140 cities. In 2017, RAEX Rating Agency (Expert RA) rated the Group's creditworthiness as ruBBB with a "stable" outlook. The company trades online through webstores westfalika.ru, westfalika-home.ru, emilia-esta.ru and rossita.com. For more information about the Company please visit www.obuvrus.ru.

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² SKU – stock keeping unit